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NEW APPLICATION

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AZ CORP COMMISSION
DOCKET CONTROL

LIBERTY UTILITIES
Todd C. Wiley (No. 015358)
12725 W. Indian School Road, Suite D-101
Avondale, Arizona 85392

Arizona Corporation Commission

DOCKETED

NOV 02 2015

Attorneys for Liberty Utilities (Rio Rico Water & Sewer) Corp.

DOCKETED BY

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF LIBERTY UTILITIES (RIO RICO
WATER & SEWER) CORP., AN ARIZONA
CORPORATION, FOR AUTHORITY TO
ISSUE EVIDENCE OF INDEBTEDNESS IN
AN AMOUNT NOT TO EXCEED
\$8,900,000.

DOCKET NO: WS-02676A-15-0371

APPLICATION (FINANCING)

Pursuant to A.R.S. §§ 40-301 and 40-302, Liberty Utilities (Rio Rico Water & Sewer) Corp. ("Liberty Rio Rico"), an Arizona public service corporation, hereby applies for authority from the Arizona Corporation Commission ("Commission") to issue evidence of indebtedness in a total amount not to exceed \$8,900,000 on the terms and conditions set forth below. In support of this Application, Liberty Rio Rico states as follows:

A. General Background.

1. Liberty Rio Rico is a public service corporation providing service to approximately 6,404 water and 2,046 wastewater service connections in Santa Cruz County, Arizona.

2. Liberty Rio Rico's present rates and charges for utility service were approved by the Commission in Decision No. 73996 (July 30, 2013) using a test year ending

1 February 29, 2012. Liberty Rio Rico is filing a rate case seeking new rates simultaneous
2 with this Application using a test year ending December 31, 2014.

3 3. Liberty Rio Rico's business office is located at 12725 W. Indian School
4 Road, Suite D-101, Avondale, Arizona 85392 and its telephone number is (623) 935-
5 9367. Liberty Rio Rico's primary management contact is its President, Matthew Garlick.

6 4. Mr. Garlick is the person responsible for overseeing and directing the
7 conduct of this Application. His mailing address is 12725 W. Indian School Road,
8 Suite D-101, Avondale, Arizona 85392; his telephone number is (623) 298-3763; and his
9 email address is matthew.garlick@libertyutilities.com. **All discovery, data requests and**
10 **other requests for information concerning this Application should be directed to**
11 **Mr. Garlick, with a copy by e-mail to undersigned counsel at jay@shapslawaz.com**
12 **and whitney@shapslawaz.com, and to Liberty's Assistant General Counsel at**
13 **todd.wiley@libertyutilities.com.**

14 5. Financial statements for the twelve-month period ending December 31, 2014,
15 are attached as **Exhibit 1**.

16 6. Statements projecting Liberty Rio Rico's estimated financial performance,
17 for the next five years, are attached as **Exhibit 2**.

18 **B. Purposes of Financing.**

19 7. Liberty Rio Rico seeks Commission approval of long-term debt financing
20 contemplated herein for the purpose of rebalancing Liberty Rio Rico's capital structure
21 from its present structure of 100 percent equity to a capital structure of 70 percent equity
22 and 30 percent debt.

23 8. Liberty Rio Rico's capital structure is presently 100 percent equity. If this
24 application is approved, Liberty Rio Rico will borrow the amount necessary to achieve a
25 capital structure consisting of 70 percent equity and 30 percent debt. This amount is
26 currently estimated to be \$8.9 million. In addition, Liberty Rio Rico will enter into loan

1 agreements every six months as necessary to maintain a capital structure consisting of
2 70 percent equity and 30 percent debt. However, at no time will the total debt amount
3 exceed \$8,900,000.

4 **C. Terms and Conditions of Financial Transactions.**

5 9. The lender will be Liberty Utilities Co. ("Liberty Utilities"). Liberty Utilities
6 is an affiliate of Liberty Rio Rico. The term sheet for the proposed debt financing is
7 attached hereto as **Exhibit 3**. Liberty Utilities will provide the subject financing at a fixed
8 rate per annum that is equal to the average of the 10-year U.S. Treasury rate as published
9 on Bloomberg Financial Markets for the prior 30 days plus an interest rate spread to be
10 equal to the indicative 10-year spread on Liberty Utilities' most recent private placement
11 financing. The maturity date for the debt financing from Liberty Utilities shall be ten (10)
12 years after closing. Liberty Utilities will not earn a profit or return on loans made to
13 Liberty Rio Rico under the authority sought in this Application.

14 **D. Effects of Financial Transactions.**

15 10. Liberty Rio Rico's pro forma balance sheet for the period ending
16 December 31, 2014 is attached as **Exhibit 4**. The pro forma balance sheet reflects the
17 impact of the debt infusion that is the subject of this Application. As noted above, Liberty
18 Rio Rico's pro forma capital structure will be 30 percent debt and 70 percent common
19 equity.

20 11. Liberty Rio Rico's water division will have a Debt Service Coverage Ratio
21 ("DSCR") of 9.83 and a Times Interest Earned Ratio ("TIER") of 5.33 if the maximum
22 requested indebtedness were incurred. Liberty Rio Rico's wastewater division will have a
23 DSCR of 11.61 and a TIER of 8.58 if the maximum requested indebtedness were
24 incurred. The ratios will be higher as long as the amount of debt incurred remains less
25 than the maximum value requested. The DSCR and TIER calculations, as shown on
26 **Exhibit 5**, were calculated using the current U.S. Treasury rate as published on

1 Bloomberg Financial Markets for the prior 30 days plus an interest rate spread to be equal
2 to the indicative 10-year spread on Liberty Utilities' most recent private placement
3 financing.

4 12. The loan proceeds will be issued for lawful purposes, as discussed herein,
5 and the execution of loan agreements with Liberty Utilities and the undertaking of the
6 obligations set forth therein are within Liberty Rio Rico's corporate powers. A Corporate
7 Resolution authorizing the contemplated transaction is attached as **Exhibit 6**.

8 13. Liberty Rio Rico will file true and correct copies of all debt instruments
9 issued with Docket Control within thirty (30) days from the date of issuance.

10 14. The approvals sought herein are compatible with the public interest and with
11 the proper performance of Liberty Rio Rico's duties as a public service corporation.

12 15. The financing contemplated herein will not impair Liberty Rio Rico's ability
13 to perform its duties as a public service corporation providing wastewater utility service.

14 16. Liberty Rio Rico intends to consolidate this financing application with
15 Liberty Rio Rico's rate application filed on October 28, 2015. As such, Liberty Rio Rico
16 will seek permission to notify its customers of both applications at the same time if
17 consolidation is granted. Proof of publication and a true copy of the notice will be filed
18 with the Commission as necessary.

19 Based on the foregoing, Liberty Rio Rico respectfully requests the following:

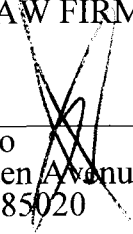
20 A. That the Commission consider this application at the same time and in the
21 same proceedings as Liberty Rio Rico's concurrently filed rate application;

22 B. That the Commission enter an order approving this Application and
23 authorizing Liberty Rio Rico to incur indebtedness in an amount not to exceed \$8,900,000
24 for the purposes described above; and
25
26

1 C. That the Commission authorize Liberty Rio Rico to take such other and
2 further action as may be necessary to effectuate the purposes of this Application, as may
3 be appropriate under the circumstances herein.

4 RESPECTFULLY SUBMITTED this 2nd day of November, 2015.

5 SHAPIRO LAW FIRM, P.C.

6
7 By: 
8 Jay L. Shapiro
9 1819 E. Morten Avenue, Suite 280
10 Phoenix, AZ 85020

11 and

12 LIBERTY UTILITIES

13 Todd C. Wiley
14 Assistant General Counsel
15 12725 W. Indian School Road, Suite D-101
16 Avondale, AZ 85392

17 Attorneys for Liberty Utilities
18 (Rio Rico Water & Sewer) Corp.

19 ORIGINAL and fifteen (15) copies
20 of the foregoing were delivered
21 this 2nd day of November, 2015, to:

22 Docket Control
23 Arizona Corporation Commission
24 1200 W. Washington Street
25 Phoenix, AZ 85007

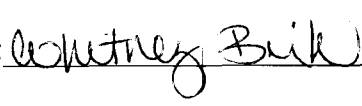
26 By: 

EXHIBIT 1

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2014	Year Ended 12/31/2013	Year Ended 12/31/2012
1	ASSETS			
2	PLANT			
2	Plant In Service	\$ 36,354,926	\$ 35,485,434	\$ 36,622,679
3	Non-Utility Plant	1,569,993	-	-
3	Construction Work in Progress	1,069,432	559,877	142,440
4	Property Held for Future Use	-	-	-
4	Accumulated Depreciation	(15,881,917)	(15,211,209)	(16,621,713)
5	Net Plant	<u>\$ 23,112,434</u>	<u>\$ 20,834,102</u>	<u>\$ 20,143,407</u>
6				
7	CURRENT ASSETS			
8	Cash and Equivalents	\$ 21,850	\$ 32,467	\$ 33,760
9	Restricted Cash	-	-	-
10	Net Accounts Receivable	518,351	459,181	342,813
11	Inter-Company Receivable	783	-	-
12	Notes Receivable	-	-	-
13	Materials	-	-	-
14	Prepayments	1,508	-	243
15	Other Current Assets	-	1,555,234	1,380,083
16	Total Current Assets	<u>\$ 542,491</u>	<u>\$ 2,046,882</u>	<u>\$ 1,756,899</u>
17				
18	OTHER ASSETS			
19	Deferred Finance Costs	\$ -	\$ -	\$ -
20	Other Deferred Debits	130,278	-	-
21	Other Non-Current Assets	-	-	-
22	Deferred Debits	<u>\$ 130,278</u>	<u>\$ -</u>	<u>\$ -</u>
23				
24	TOTAL ASSETS	<u>\$ 23,785,203</u>	<u>\$ 22,880,984</u>	<u>\$ 21,900,306</u>
25				
26				
27	LIABILITIES AND STOCKHOLDER EQUITY			
28				
29	Stockholder's Equity	<u>\$ 11,459,457</u>	<u>\$ 10,125,334</u>	<u>\$ 8,470,297</u>
30				
31	Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
32				
33	CURRENT LIABILITIES			
34	Accounts Payable	\$ -	\$ -	\$ -
35	Current Portion of Long-Term Debt	-	-	-
36	Payables to Associated Companies	617,703	563,944	901,342
37	Customer Security Deposits	-	136,433	139,915
38	Customer Meter Deposits, Current	30,732	-	-
39	Current Portion of AIAC	5,000	-	-
40	Accrued Taxes	29,552	8,830	7,359
41	Accrued Interest	12,535	13,285	15,413
42	Other Current Liabilities	1,146,754	1,096,092	1,136,649
43	Total Current Liabilities	<u>\$ 1,842,276</u>	<u>\$ 1,818,584</u>	<u>\$ 2,200,678</u>
44				
45	DEFERRED CREDITS			
46	Customer Meter Deposits, less current	\$ 301,302	\$ -	\$ -
47	Advances in Aid of Construction	955,148	294,958	322,423
48	Accumulated Deferred Income Taxes	-	-	-
49	Contributions In Aid of Construction	20,267,791	21,052,221	20,733,710
50	Accumulated Amortization	(11,040,770)	(10,410,113)	(9,826,802)
51	Other Deferred Credits	-	-	-
52	Total Deferred Credits	<u>\$ 10,483,471</u>	<u>\$ 10,937,066</u>	<u>\$ 11,229,331</u>
53				
54	Total Liabilities & Common Equity	<u>\$ 23,785,204</u>	<u>\$ 22,880,984</u>	<u>\$ 21,900,306</u>
55				
56				
57				
58	<u>SUPPORTING SCHEDULES:</u>		<u>RECAP SCHEDULES:</u>	
59	Work papers		A-3	
60				
61				
62				

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2014	Prior Year Ended 12/31/2013	Prior Year Ended 12/31/2012
1	Revenues			
2	Metered Water Revenue	\$ 3,054,205	\$ 2,951,758	\$ 2,716,235
3	Unmetered Water Revenue	-	-	-
4	Other Water Revenue	48,254	80,500	84,437
5	Total Revenues	<u>\$ 3,102,459</u>	<u>\$ 3,032,259</u>	<u>\$ 2,800,671</u>
6	Operating Expenses			
7	Salaries and Wages	\$ -	\$ -	\$ -
8	Purchased Water	69,895	9,024	787
9	Purchased Power	343,825	350,604	333,717
10	Chemicals	4,882	5,068	4,486
11	Fuel for Power Production	-	-	-
12	Repairs and Maintenance	-	4,425	4,895
13	Office Supplies and Expense	33,953	74,161	59,904
14	Outside Services	-	654,700	555,916
15	Contractual Services - Professional	1,038,097	-	-
16	Contractual Services - Testing	41,807	50,011	26,421
17	Contractual Services - Other	93,920	454,171	546,254
18	Water Testing	-	-	-
19	Rents	4,169	3,542	6,131
20	Transportation	60,352	102,702	23,150
21		-	-	-
22	Insurance	27,865	50,585	43,782
23	Regulatory Commission Expense	5,900	184,615	132,384
24	Materials and Supplies	29,680	-	-
25	Miscellaneous	61,392	54,300	44,954
26	Depreciation	564,167	(90,293)	105,427
27	Taxes Other Than Income	-	-	-
28	Property Taxes	182,351	185,195	180,071
29	Income Tax	-	-	-
30				
31	Total Operating Expenses	<u>\$ 2,562,254</u>	<u>\$ 2,092,811</u>	<u>\$ 2,068,280</u>
32	Operating Income	<u>\$ 540,205</u>	<u>\$ 939,448</u>	<u>\$ 732,391</u>
33	Other Income (Expense)			
34	Interest and Dividend Income	-	-	-
35	AFUDC Income	5,045	6,193	-
36	Miscellaneous Non-Utility Expenses	(500)	-	-
37	Interest Expense	(10,405)	(12,306)	37,827
38				
39	Total Other Income (Expense)	<u>\$ (5,861)</u>	<u>\$ (6,113)</u>	<u>\$ 37,827</u>
40	Net Profit (Loss)	<u>\$ 534,344</u>	<u>\$ 933,334</u>	<u>\$ 770,218</u>

SUPPORTING SCHEDULES:

Work papers

RECAP SCHEDULES:

A-2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.	Test Year Ended <u>12/31/2014</u>	Prior Year Ended <u>12/31/2013</u>	Prior Year Ended <u>12/31/2012</u>
1			
2			
3	Cash Flows from Operating Activities		
4	Net Income	\$ 534,344	\$ 933,334
5	Adjustments to reconcile net income to net cash		\$ 770,218
6	provided by operating activities:		
7	Depreciation and Amortization	564,167	(90,293)
8	Depreciation and Amortization Adjustments	(524,116)	105,427
9	Changes in Certain Assets and Liabilities:	(2,447,986)	(453,776)
10	Accounts Receivable	(59,170)	(83,946)
11	Restricted Cash	(116,368)	
12	Materials and Supplies Inventory		
13	Prepaid Expenses	(1,508)	243
14	Deferred Charges	(130,278)	1,890
15	Receivables/Payables to Associated Co.	52,976	(243,205)
16	Accounts Payable		1,192,778
17	Interest Payable	(750)	(337,398)
18	Customer Meter and Security Deposits	(2,128)	2,140
19	Taxes Payable	(105,701)	(3,480)
20	Other assets and liabilities	20,722	6,177
21	Rounding	1,605,896	1,471
22	Net Cash Flow provided by Operating Activities	\$ 1,956,582	(806)
23	Cash Flow From Investing Activities:	\$ (2,278,313)	(2,086,063)
24	Capital Expenditures	(2,949,040)	
25	Plant Held for Future Use	719,808	
26	Changes in Special Funds	(726,935)	
27	Net Cash Flows from Investing Activities	\$ (2,949,040)	\$ (726,935)
28	Cash Flow From Financing Activities		
29	Change in Restricted Cash		
30	Proceeds from Long-Term Debt		
31	Net receipt of contributions in aid of construction	(784,430)	318,511
32	Net receipts of advances in aid of construction	966,492	13,034
33	Repayments of Long-Term Debt		(56,732)
34	Distributions		
35	Deferred Financing Costs		
36	Paid in Capital	799,778	536,507
37	Net Cash Flows Provided by Financing Activities	\$ 981,840	933,260
38	Increase(decrease) in Cash and Cash Equivalents	\$ 827,553	\$ 889,562
39	Cash and Cash Equivalents at Beginning of Year	(10,618)	(730,952)
40	Cash and Cash Equivalents at End of Year	(1,318,089)	(626,539)
41		\$ (1,328,708)	39,401
42		\$ (1,318,089)	\$ (587,138)
43	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>	
44	Workpapers	A-5	
45			

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.	Test Year Ended 12/31/2014	Year Ended 12/31/2013	Year Ended 12/31/2012
1	<u>ASSETS</u>		
2	<u>PLANT</u>		
3	Plant In Service	\$ 13,936,523	\$ 13,736,330
4	Non-Utility Plant	193,757	-
5	Construction Work in Progress	(295,882)	(298,562)
6	Property Held for Future Use	-	-
7	Accumulated Depreciation	(6,051,816)	(5,658,848)
8	Net Plant	<u>\$ 7,782,582</u>	<u>\$ 7,778,921</u>
9			
10	<u>CURRENT ASSETS</u>		
11	Cash and Equivalents	\$ 10,762	\$ 15,991
12	Restricted Cash	-	-
13	Net Accounts Receivable	255,307	226,164
14	Inter-Company Receivable	386	-
15	Notes Receivable	-	-
16	Materials and Supplies	-	-
17	Prepayments	743	70
18	Other Current Assets	-	591,251
19	Total Current Assets	<u>\$ 267,197</u>	<u>\$ 833,406</u>
20			
21	<u>OTHER ASSETS</u>		
22	Deferred Finance Costs	\$ -	\$ -
23	Other Deferred Debits	64,167	-
24	Other Non-Current Assets	-	-
25	Deferred Debits	<u>\$ 64,167</u>	<u>\$ -</u>
26			
27	TOTAL ASSETS	<u>\$ 8,113,945</u>	<u>\$ 8,612,326</u>
28			
29			
30	<u>LIABILITIES AND STOCKHOLDER EQUITY</u>		
31			
32	Stockholder's Equity	<u>\$ 4,482,953</u>	<u>\$ 4,887,715</u>
33			
34	Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>
35			
36	<u>CURRENT LIABILITIES</u>		
37	Accounts Payable	\$ -	\$ -
38	Current Portion of Long-Term Debt	-	-
39	Payables to Associated Companies	304,242	277,763
40	Customer Security Deposits	-	30,135
41	Customer Meter Deposits, Current	-	-
42	Current Portion of AIAC	2,500	-
43	Accrued Taxes	14,555	4,349
44	Accrued Interest	6,174	6,543
45	Other Current Liabilities	564,819	539,866
46	Total Current Liabilities	<u>\$ 892,290</u>	<u>\$ 858,657</u>
47			
48	<u>DEFERRED CREDITS</u>		
49	Customer Meter Deposits, less current	\$ -	\$ -
50	Advances in Aid of Construction	508,985	482,534
51	Accumulated Deferred Income Taxes	-	-
52	Contributions In Aid of Construction	5,157,673	5,157,673
53	Accumulated Amortization	(2,927,957)	(2,774,253)
54	Other Deferred Credits	-	-
55	Total Deferred Credits	<u>\$ 2,738,701</u>	<u>\$ 2,865,954</u>
56			
57	Total Liabilities & Common Equity	<u>\$ 8,113,945</u>	<u>\$ 8,612,326</u>

SUPPORTING SCHEDULES:

RECAP SCHEDULES:
A-3

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2014	Prior Year Ended 12/31/2013	Prior Year Ended 12/31/2012
1	Revenues			
2	Flat Rate Revenue	\$ 1,437,376	\$ 1,314,843	\$ 1,194,852
3	Measured Revenue	-	152,561	173,860
4	Other WasteWater Revenue	7,468	3,720	8,339
5	Total Revenues	\$ 1,444,844	\$ 1,471,124	\$ 1,377,051
6	Operating Expenses			
7	Salaries and Wages	\$ -	\$ -	\$ -
8	Purchased Wastewater Treatment	3,811	-	-
9	Sludge Removal	-	-	-
10	Purchased Power	67,788	65,630	62,218
11	Fuel for Power Production	-	-	266
12	Chemicals	6,030	6,437	7,284
13	Materials and Supplies	7,433	4,551	(1,156)
14	Contractual Services - Professional	245,830	56	621
15	Contractual Services - Testing	405	445	355
16	Contractual Services - Other	259,271	468,238	508,613
17	Office Supplies and Expense	1,915	-	-
18	Rents	3,379	1,032	2,665
19	Transportation	10,899	10,841	13,077
20	Insurance	7,991	15,718	13,897
21	Regulatory Commission Expense	-	-	2,500
22	Miscellaneous	45,814	38,978	33,931
23	Depreciation	260,956	105,764	186,565
24	Taxes Other Than Income	-	-	-
25	Property Taxes	60,780	61,732	60,024
26	Income Tax	-	-	-
27	Total Operating Expenses	\$ 982,302	\$ 779,420	\$ 890,860
28	Operating Income	\$ 462,543	\$ 691,703	\$ 486,191
29	Other Income (Expense)			
30	Interest and Dividend Income	-	-	-
31	AFUDC Income	-	3,270	-
32	Miscellaneous Non-Utility Expenses	-	-	-
33	Interest Expense	-	-	24,866
34				
35	Total Other Income (Expense)	\$ -	\$ 3,270	\$ 24,866
36	Net Profit (Loss)	\$ 462,543	\$ 694,973	\$ 511,057

SUPPORTING SCHEDULES:

RECAP SCHEDULES:
A-2

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.	Test Year Ended <u>12/31/2014</u>	Prior Year Ended <u>12/31/2013</u>	Prior Year Ended <u>12/31/2012</u>
1			
2			
3	Cash Flows from Operating Activities		
4	Net Income	\$ 462,543	\$ 694,973
5	Adjustments to reconcile net income to net cash		\$ 511,057
6	provided by operating activities:		
7	Depreciation and Amortization	260,956	105,764
8	Depreciation and Amortization Adjustments	(21,875)	(1,284,780)
9	Changes in Certain Assets and Liabilities:		(10,912)
10	Accounts Receivable	(29,143)	(126,748)
11	Restricted Cash		(13,127)
12	Materials and Supplies Inventory		
13	Prepaid Expenses	(743)	70
14	Deferred Charges	(64,167)	641
15	Receivables to Associated Co.	(386)	(90,391)
16	Accounts Payable	26,479	465,299
17	Interest Payable	(369)	248
18	Customer Meter and Security Deposits	(30,135)	1,870
19	Taxes Payable	10,206	(27,014)
20	Other assets and liabilities	616,204	1,343
21	Rounding	2	284
22	Net Cash Flow provided by Operating Activities	\$ 1,229,572	\$ (1,595,495)
23	Cash Flow From Investing Activities:		\$ 1,534,132
24	Capital Expenditures	(396,448)	832,389
25	Plant Held for Future Use	-	(18,984)
26	Changes in Special Funds	-	-
27	Net Cash Flows from Investing Activities	\$ (396,448)	\$ 832,389
28	Cash Flow From Financing Activities		\$ (18,984)
29	Change in Restricted Cash		
30	Proceeds from Long-Term Debt		
31	Net receipt of contributions in aid of construction	-	(223,783)
32	Net receipts of advances in aid of construction	28,951	337,054
33	Repayments of Long-Term Debt		(156,822)
34	Distributions	(867,305)	
35	Deferred Financing Costs		(1,361,671)
36	Paid in Capital		656,037
37	Net Cash Flows Provided by Financing Activities	\$ (838,354)	\$ 769,308
38	Increase(decrease) in Cash and Cash Equivalents	(5,230)	6,202
39	Cash and Cash Equivalents at Beginning of Year	15,992	9,790
40	Cash and Cash Equivalents at End of Year	\$ 10,762	\$ 15,992
41			\$ 9,790

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43 SUPPORTING SCHEDULES:
44 Workpapers
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RECAP SCHEDULES:
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EXHIBIT 2

Rio Rico Water	Scenario	Act / For	Forecast	Forecast	Forecast	Forecast	Forecast
5 Year Projection	Year	2015	2016	2017	2018	2019	2020
Jan - Dec	Quarter	Annual	Annual	Annual	Annual	Annual	Annual
Company	Month	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
B134 - Rio Rico	Days Period	365	365	365	365	365	365
Water							

FINANCIAL STATEMENTS

Income Statement

Energy/Steam Sales	-	-	-	-	-	-
Waste Disposal Fees	-	-	-	-	-	-
Utility Sales and Distribution - Water and Wastewater	3,122,602	3,479,180	4,132,663	4,143,691	4,154,753	4,171,241
Utility Sales and Distribution - Energy	-	-	-	-	-	-
Utility Sales and Distribution - Gas	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-
Revenue - Gross	3,122,602	3,479,180	4,132,663	4,143,691	4,154,753	4,171,241
Regulated Electricity Purchased	-	-	-	-	-	-
Regulated Gas Purchased	-	-	-	-	-	-
Non Regulated Fuel for Generation	-	-	-	-	-	-
Energy Cost	-	-	-	-	-	-
Revenue - Net	3,122,602	3,479,180	4,132,663	4,143,691	4,154,753	4,171,241
Liberty - Operations - Non Labour	931,593	976,813	976,813	976,813	976,813	976,813
Operating Costs	466,182	496,182	496,182	496,182	496,182	496,182
Repair and Maintenance	-	-	-	-	-	-
Utility/Consumable Costs	250,356	255,225	255,225	255,225	255,225	255,225
Administration-Site	215,056	225,406	225,406	225,406	225,406	225,406
Administration-Corporate (Includes Test Year Inflation)	-	-	-	-	-	-
Liberty - Operations - Labour	662,294	548,677	548,677	548,677	548,677	548,677
Liberty - Customer Care - Non Labour	(11,867)	6,000	6,000	6,000	6,000	6,000
Liberty - Customer Care - Labour	162,914	168,924	168,924	168,924	168,924	168,924
Liberty - Admin - Non Labour	1,822	3,624	3,624	3,624	3,624	3,624
Liberty - Admin - Labour	218,957	233,451	233,451	233,451	233,451	233,451
Expenses (Excluding Admin)	1,965,713	1,937,489	1,937,489	1,937,489	1,937,489	1,937,489
Other Income Before EBITDA	14,840	16,100	16,100	16,100	16,100	16,625
Operating Profit	1,171,729	1,557,791	2,211,274	2,222,302	2,233,364	2,250,377
Business Group Admin	54,261	53,132	53,281	54,347	55,434	56,820
Business Services Admin	59,836	65,237	72,882	74,879	76,950	79,101
Business Group Profit	1,057,632	1,439,422	2,085,110	2,093,076	2,100,980	2,114,456
Executive Admin	40,651	47,814	49,730	51,833	54,105	56,668
Corporate Services Admin	25,082	30,964	31,849	32,923	34,048	35,245
Other Admin	65,733	78,777	81,579	84,757	88,153	91,913
Expenses (Including Admin)	2,145,543	2,134,636	2,145,231	2,151,472	2,158,026	2,165,323
EBITDA	991,899	1,360,644	2,003,532	2,008,320	2,012,827	2,022,543
Depreciation	386,097	427,803	431,932	452,197	533,725	578,238
Amortization	96,207	-	-	-	-	-
Depreciation & Amortization	482,303	427,803	431,932	452,197	533,725	578,238
EBIT	509,595	932,841	1,571,600	1,556,123	1,479,102	1,444,305
Interest Expense	46,629	46,776	46,529	46,907	155,619	164,575
AFUDC - Debt (Gain) / Loss	(3,798)	(4,200)	(4,200)	(4,200)	(4,200)	(4,200)
Acquisition Costs	-	-	-	-	-	-
(Gain) / Loss on Foreign Exchange	-	-	-	-	-	-

(Gain) / Loss on Derivative Financial Instrument	-	-	-	-	-	-
(Gain) / Loss on Fixed Asset Disposal	-	-	-	-	-	-
Other (Income) and Expenses	42,831	42,576	42,329	42,707	151,419	160,375
Earnings Before Tax	466,764	890,265	1,529,270	1,513,416	1,327,682	1,283,930
Current Income Taxes	186,706	356,106	611,708	605,366	531,073	513,572
Future Income Taxes	-	-	-	-	-	-
Income Taxes	186,706	356,106	611,708	605,366	531,073	513,572
Net Income	280,059	534,159	917,562	908,050	796,609	770,358

Balance Sheet

Cash	10,873	10,873	10,873	10,873	10,873	10,873
Short Term Investments	-	-	-	-	-	-
Accounts Receivables	736,797	736,797	736,797	736,797	736,797	736,797
Prepaid Expenses	2,634	2,634	2,634	2,634	2,634	2,634
Supplies and Consumables Inventory	-	-	-	-	-	-
Current Portion of Notes Receivables	-	-	-	-	-	-
Income Tax Receivable	-	-	-	-	-	-
Current Portion of Regulatory Assets	-	-	-	-	-	-
Current Portion of Derivative Assets	-	-	-	-	-	-
Current Assets	750,305	750,305	750,305	750,305	750,305	750,305
Utility Plant	18,370,080	19,151,980	19,983,880	20,955,780	25,671,080	26,603,380
Accumulated Depreciation	(5,227,244)	(5,655,047)	(6,086,979)	(6,539,175)	(7,072,901)	(7,651,138)
Construction Work In Progress	-	-	-	-	-	-
Cost of Removal	-	-	-	-	-	-
Net Plant	13,142,837	13,496,933	13,896,901	14,416,605	18,598,180	18,952,242
Intangible Assets Cost	1,543,664	1,543,664	1,543,664	1,543,664	1,543,664	1,543,664
Accumulated Depreciation-Intangible	(830,534)	(830,534)	(830,534)	(830,534)	(830,534)	(830,534)
Other Intangibles	-	-	-	-	-	-
Net Intangible Assets	713,130	713,130	713,130	713,130	713,130	713,130
Restricted Cash	-	-	-	-	-	-
Intercompany Accounts	(966,277)	(966,277)	(966,277)	(966,277)	(966,277)	(966,277)
Long Term Assets	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Future non-current income tax asset	-	-	-	-	-	-
Deferred Financing Costs	-	-	-	-	-	-
Regulatory Assets	136,111	136,111	136,111	136,111	136,111	136,111
Derivative Assets	-	-	-	-	-	-
Other Assets	1,246,272	1,246,272	1,246,272	1,246,272	1,246,272	1,246,272
Other Non Current Assets	416,106	416,106	416,106	416,106	416,106	416,106
Assets	15,022,377	15,376,474	15,776,442	16,296,146	20,477,720	20,831,783
Accounts Payable	30,759	30,759	30,759	30,759	30,759	30,759
Accrued Liabilities	2,059,833	2,059,833	2,059,833	2,059,833	2,059,833	2,059,833
Distributions Payable	-	-	-	-	-	-
Dividends Payable	-	-	-	-	-	-
Current portion of long term debt	-	-	-	-	-	-
Current Portion of Derivative Liabilities	-	-	-	-	-	-
Current Portion of Other Long-term Liabilities	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-
Current Portion of AIAC	5,000	5,000	5,000	5,000	5,000	5,000
Current Portion Preferred Series C	-	-	-	-	-	-
Current Liabilities	2,095,592	2,095,592	2,095,592	2,095,592	2,095,592	2,095,592
Long Term Liabilities	-	94,144	104,526	104,204	3,107,148	2,177,280
Convertible Debentures	-	-	-	-	-	-

Other Long Term Liabilities	-	-	-	-	-	-
Advances in Aid of Construction	957,648	957,648	957,648	957,648	957,648	957,648
Long Term Meter Deposits	309,409	309,409	309,409	309,409	309,409	309,409
Pension Obligation	-	-	-	-	-	-
Contingent Consideration	-	-	-	-	-	-
Regulatory Liabilities	-	-	-	-	-	-
Future non-current income tax liability	-	-	-	-	-	-
Derivative Liabilities	-	-	-	-	-	-
Deferred Credits	-	-	-	-	-	-
Preferred Series C	-	-	-	-	-	-
Non Current Liabilities	1,267,057	1,361,201	1,371,583	1,371,261	4,374,204	3,444,337
Liabilities	3,362,649	3,456,793	3,467,175	3,466,853	6,469,797	5,539,930

Contributed Capital	-	-	-	-	-	-
Common Shares	10,186,516	10,186,516	10,186,516	10,186,516	10,186,516	10,186,516
Partnership Contributions	-	-	-	-	-	-
Partnership Equity	-	-	-	-	-	-
Trust Units	-	-	-	-	-	-
Retained Earnings	1,991,011	2,881,276	4,410,547	5,923,963	7,251,645	8,535,575
Partnership Distributions	-	-	-	-	-	-
Offering Costs	-	-	-	-	-	-
Cash Distributions	(305,754)	(936,066)	(2,075,751)	(3,069,142)	(3,218,193)	(3,218,193)
Dividends Paid	(212,045)	(212,045)	(212,045)	(212,045)	(212,045)	(212,045)
Other Comprehensive Income	-	-	-	-	-	-
Shareholders Equity	11,659,728	11,919,681	12,309,267	12,829,293	14,007,924	15,291,853
Non Controlling interest	-	-	-	-	-	-
Total Equity	11,659,728	11,919,681	12,309,267	12,829,293	14,007,924	15,291,853
Total Liabilities and Equity	15,022,377	15,376,474	15,776,442	16,296,146	20,477,720	20,831,783

Balance Sheet Check	-	-	-	-	-	-
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Cash Flow

Net Income	280,059	534,159	917,562	908,050	796,609	770,358
Deprecation	386,097	427,803	431,932	452,197	533,725	578,238
Amortization	96,207	-	-	-	-	-
Pension	-	-	-	-	-	-
Deferred Taxes	-	-	-	-	-	-
Increase / (Decrease) in Current Liabilities	290,290	-	-	-	-	-
(Increase) / Decrease in Current Assets	36,478	-	-	-	-	-
Cash From Operating Activities	1,089,130	961,962	1,349,494	1,360,246	1,330,335	1,348,595
Increase / (Decrease) in Line of Credit	-	94,144	10,382	(322)	3,002,944	(929,867)
Increase / (Decrease) in 3rd Party Debt	-	-	-	-	-	-
Increase / (Decrease) in InterCo Debt	-	-	-	-	-	-
Cash Distributions	-	(630,312)	(1,139,685)	(993,391)	(149,051)	-
Dividends	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
(Decrease) / Increase in Other Long Term Liabilities	-	-	-	-	-	-
Environmental Remediation	-	-	-	-	-	-
Cash From Financing Activities	-	(536,169)	(1,129,303)	(993,713)	2,853,892	(929,867)
CapEx	-	(781,900)	(831,900)	(971,900)	(4,715,300)	(932,300)
(Increase) / Decrease in Other Long Term Assets	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Cash From Investing Activities	-	(781,900)	(831,900)	(971,900)	(4,715,300)	(932,300)
Cash Flow	-	(356,106)	(611,708)	(605,366)	(531,073)	(513,572)

	Scenario	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Year	2015	2016	2017	2018	2019	2020
	Quarter	Annual	Annual	Annual	Annual	Annual	Annual
	Month	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	Day/Period	365	365	365	365	365	365
8124 - Rio Rico							
Sewer							

FINANCIAL STATEMENTS

Income Statement

Energy/Steam Sales	-	-	-	-	-	-
Waste Disposal Fees	-	-	-	-	-	-
Utility Sales and Distribution - Water and Wastewater	1,485,843	1,487,911	1,487,564	1,487,564	1,487,564	1,487,911
Utility Sales and Distribution - Energy	-	-	-	-	-	-
Utility Sales and Distribution - Gas	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-
Revenue - Gross	1,485,843	1,487,911	1,487,564	1,487,564	1,487,564	1,487,911
Regulated Electricity Purchased	-	-	-	-	-	-
Regulated Gas Purchased	-	-	-	-	-	-
Non Regulated Fuel for Generation	-	-	-	-	-	-
Energy Cost	-	-	-	-	-	-
Revenue - Net	1,485,843	1,487,911	1,487,564	1,487,564	1,487,564	1,487,911
Liberty - Operations - Non Labour	335,956	119,726	344,726	344,726	344,726	344,726
Operating Costs	257,603	255,931	255,931	255,931	255,931	255,931
Repair and Maintenance	3,998	7,995	7,995	7,995	7,995	7,995
Utility/Consumable Costs	3,383	6,765	6,765	6,765	6,765	6,765
Administration-Site	70,973	(150,966)	74,035	74,035	74,035	74,035
Administration-Corporate (Includes Test Year Inflation)	-	-	-	-	-	-
Liberty - Operations - Labour	146,681	216,264	216,264	216,264	216,264	216,264
Liberty - Customer Care - Non Labour	(3,161)	13,500	13,500	13,500	13,500	13,500
Liberty - Customer Care - Labour	52,705	54,648	54,648	54,648	54,648	54,648
Liberty - Admin - Non Labour	6,609	8,267	8,267	8,267	8,267	8,267
Liberty - Admin - Labour	71,308	75,525	75,525	75,525	75,525	75,525
Expenses (Excluding Admin)	610,098	487,929	712,929	712,929	712,929	712,929
Other Income Before EBITDA	-	-	-	-	-	-
Operating Profit	875,745	999,982	774,635	774,635	774,635	774,982
Business Group Admin	20,442	19,340	19,394	19,782	20,178	20,682
Business Services Admin	26,319	23,746	26,529	27,256	28,010	28,793
Business Group Profit	828,983	956,896	728,712	727,597	726,447	725,507
Executive Admin	15,200	17,404	18,102	18,867	19,694	20,627
Corporate Services Admin	8,007	11,271	11,593	11,984	12,393	12,829
Other Admin	23,207	28,675	29,695	30,851	32,088	33,456
Expenses (Including Admin)	680,066	559,690	788,547	790,818	793,204	795,860
EBITDA	805,777	928,221	699,017	696,745	694,360	692,051
Depreciation	270,377	292,000	299,868	309,398	332,741	344,000
Amortization	12,232	-	-	-	-	-
Depreciation & Amortization	282,609	292,000	299,868	309,398	332,741	344,000
EBIT	523,168	636,221	399,149	387,347	361,619	348,051
Interest Expense	11,817	12,000	12,000	12,000	12,000	12,000
AFUDC - Debt (Gain) / Loss	-	-	-	-	-	-
Acquisition Costs	-	-	-	-	-	-
(Gain) / Loss on Foreign Exchange	-	-	-	-	-	-
(Gain) / Loss on Derivative Financial Instrument	-	-	-	-	-	-
(Gain) / Loss on Fixed Asset Disposal	-	-	-	-	-	-
Other (Income) and Expenses	11,817	12,000	12,000	12,000	12,000	12,000
Earnings Before Tax	511,351	624,221	387,149	375,347	349,619	336,051

Current Income Taxes	204,541	249,688	154,860	150,139	139,847	134,420
Future Income Taxes	-	-	-	-	-	-
Income Taxes	204,541	249,688	154,860	150,139	139,847	134,420
Net Income	306,811	374,532	232,289	225,208	209,771	201,630

Balance Sheet

Cash	-	-	-	-	-	-
Short Term Investments	-	-	-	-	-	-
Accounts Receivables	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-
Supplies and Consumables Inventory	-	-	-	-	-	-
Current Portion of Notes Receivables	-	-	-	-	-	-
Income Tax Receivable	-	-	-	-	-	-
Current Portion of Regulatory Assets	-	-	-	-	-	-
Current Portion of Derivative Assets	-	-	-	-	-	-
Current Assets	-	-	-	-	-	-
Utility Plant	8,876,870	9,154,570	9,431,270	9,752,970	10,543,670	10,784,370
Accumulated Depreciation	(3,389,789)	(3,681,789)	(3,981,657)	(4,291,056)	(4,623,797)	(4,967,797)
Construction Work In Progress	(4,447)	(4,447)	(4,447)	(4,447)	(4,447)	(4,447)
Cost of Removal	-	-	-	-	-	-
Net Plant	5,482,634	5,468,334	5,445,166	5,457,467	5,915,426	5,812,126
Intangible Assets Cost	-	-	-	-	-	-
Accumulated Depreciation-Intangible	(217,754)	(217,754)	(217,754)	(217,754)	(217,754)	(217,754)
Other Intangibles	-	-	-	-	-	-
Net Intangible Assets	(217,754)	(217,754)	(217,754)	(217,754)	(217,754)	(217,754)
Restricted Cash	-	-	-	-	-	-
Intercompany Accounts	-	-	-	-	-	-
Long Term Assets	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Future non-current income tax asset	-	-	-	-	-	-
Deferred Financing Costs	-	-	-	-	-	-
Regulatory Assets	-	-	-	-	-	-
Derivative Assets	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Other Non Current Assets	-	-	-	-	-	-
Assets	5,264,880	5,250,580	5,227,412	5,239,714	5,697,673	5,594,373
Accounts Payable	17,172	17,172	17,172	17,172	17,172	17,172
Accrued Liabilities	3,253,043	3,253,043	3,253,043	3,253,043	3,253,043	3,253,043
Distributions Payable	-	-	-	-	-	-
Dividends Payable	-	-	-	-	-	-
Current portion of long term debt	-	-	-	-	-	-
Current Portion of Derivative Liabilities	-	-	-	-	-	-
Current Portion of Other Long-term Liabilities	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-
Current Portion of AIAC	2,500	2,500	2,500	2,500	2,500	2,500
Current Portion Preferred Series C	-	-	-	-	-	-
Current Liabilities	3,272,715	3,272,715	3,272,715	3,272,715	3,272,715	3,272,715
Long Term Liabilities	-	-	-	-	166,748	-
Convertible Debentures	-	-	-	-	-	-
Other Long Term Liabilities	-	-	-	-	-	-
Advances in Aid of Construction	511,485	511,485	511,485	511,485	511,485	511,485
Long Term Meter Deposits	-	-	-	-	-	-
Pension Obligation	-	-	-	-	-	-
Contingent Consideration	-	-	-	-	-	-
Regulatory Liabilities	-	-	-	-	-	-
Future non-current income tax liability	-	-	-	-	-	-
Derivative Liabilities	-	-	-	-	-	-
Deferred Credits	-	-	-	-	-	-
Preferred Series C	-	-	-	-	-	-
Non Current Liabilities	511,485	511,485	511,485	511,485	678,233	511,485

Liabilities	3,784,200	3,784,200	3,784,200	3,784,200	3,950,948	3,784,200
Contributed Capital	-	-	-	-	-	-
Common Shares	-	-	-	-	-	-
Partnership Contributions	-	-	-	-	-	-
Partnership Equity	-	-	-	-	-	-
Trust Units	-	-	-	-	-	-
Retained Earnings	1,697,151	2,321,371	2,708,520	3,083,867	3,433,486	3,769,537
Partnership Distributions	-	-	-	-	-	-
Offering Costs	-	-	-	-	-	-
Cash Distributions	(216,471)	(854,992)	(1,265,309)	(1,628,354)	(1,686,762)	(1,959,365)
Dividends Paid	-	-	-	-	-	-
Other Comprehensive Income	-	-	-	-	-	-
Shareholders Equity	1,480,680	1,466,379	1,443,211	1,455,513	1,746,724	1,810,172
Non Controlling interest	-	-	-	-	-	-
Total Equity	1,480,680	1,466,379	1,443,211	1,455,513	1,746,724	1,810,172
Total Liabilities and Equity	5,264,880	5,250,580	5,227,412	5,239,713	5,697,672	5,594,372
Balance Sheet Check	-	-	-	-	-	-
Cash Flow						
Net Income	306,811	374,532	232,289	225,208	209,771	201,630
Deprecation	270,377	292,000	299,868	309,398	332,741	344,000
Amortization	12,232	-	-	-	-	-
Pension	-	-	-	-	-	-
Deferred Taxes	-	-	-	-	-	-
Increase / (Decrease) in Current Liabilities	(225)	-	-	-	-	-
(Increase) / Decrease in Current Assets	-	-	-	-	-	-
Cash From Operating Activities	589,195	666,533	532,157	534,607	542,512	545,630
Increase / (Decrease) in Line of Credit	-	-	-	-	166,748	(166,748)
Increase / (Decrease) in 3rd Party Debt	-	-	-	-	-	-
Increase / (Decrease) in InterCo Debt	-	-	-	-	-	-
Cash Distributions	-	(638,521)	(410,317)	(363,045)	(58,407)	(272,603)
Dividends	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
(Decrease) / Increase in Other Long Term Liabilities	-	-	-	-	-	-
Environmental Remediation	-	-	-	-	-	-
Cash From Financing Activities	(638,521)	(410,317)	(363,045)	(363,045)	108,340	(439,351)
CapEx	-	(277,700)	(276,700)	(321,700)	(790,700)	(240,700)
(Increase) / Decrease in Other Long Term Assets	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
Cash From Investing Activities	(277,700)	(276,700)	(321,700)	(321,700)	(790,700)	(240,700)
Cash Flow	(249,688)	(154,860)	(150,139)	(150,139)	(139,847)	(134,420)

EXHIBIT 3

TERM SHEET

Lender	Liberty Utilities Co.
Borrower	Liberty Utilities (Rio Rico Water & Sewer) Corp.
Guarantor(s)	None
Type of Credit	Term Loan
Purpose	Any lawful purpose including, without limitation, achieving and maintaining a capital structure with a preferred blend of debt and equity.
Loan Amount	Maximum of US \$8.9 million
Maturity Date	Ten Years after Closing Date
Collateral	None
Interest Rate	<p>Interest on the principal amount of each Note will accrue from and including the date of the borrowing or issuance thereof, but excluding the date of any repayment or termination thereof, at a fixed rate per annum that is equal to the average of the 10-year U.S. Treasury rate as published on Bloomberg Financial Markets for the prior 30 days plus [*] percent.</p> <p>*Spread to be equal to the indicative 10 year spread on Liberty Utilities Co.'s most recent private placement financing.</p>
Repayment Terms	Interest payments will be payable on a semi-annual basis. <i>[Given an estimated interest rate of 3.32% at the time of application, the semi-annual interest payment would be approximately \$147,740.00.]</i> The principal balance shall be due and payable on or before the maturity date.
Prepayment	<p>Ten Year US Treasury plus 50 basis points make whole on early repayment.</p> <p>Lender acknowledges, and the parties hereto agree, that the loan holder has the right to maintain its investment in the loan free from repayment by Lender and that the provision for payment of a make-whole amount by Lender in the event that the loan is redeemed is intended to provide compensation for the deprivation of such right under such circumstances.</p> <p>"Make-whole amount" means, with respect to the loan, an amount equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the called principal of such loan over the amount of such called principal, provided that the make-whole amount may in no event be less than zero.</p>
Indicative Covenants	Borrower shall maintain a debt to capital ratio of no more than 65%.
Other Covenants	Standard and customary for transactions of this nature.
Expenses	Borrower and Lender to incur their own reasonable out-of-pocket costs and expenses incurred in connection with initiating and administering the loan, including, but not limited to, closing, legal, and administrative costs.

EXHIBIT 4

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Water Division
Test Year Ended December 31, 2014
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2014	Year Ended 12/31/2013	Year Ended 12/31/2012
1	<u>ASSETS</u>			
2	PLANT			
2	Plant In Service	\$ 36,354,926	\$ 35,485,434	\$ 36,622,679
3	Non-Utility Plant	1,569,993	-	-
3	Construction Work in Progress	1,069,432	559,877	142,440
4	Property Held for Future Use	-	-	-
4	Accumulated Depreciation	(15,881,917)	(15,211,209)	(16,621,713)
5	Net Plant	<u>\$ 23,112,434</u>	<u>\$ 20,834,102</u>	<u>\$ 20,143,407</u>
6				
7	CURRENT ASSETS			
8	Cash and Equivalents	\$ 21,850	\$ 32,467	\$ 33,760
9	Restricted Cash	-	-	-
10	Net Accounts Receivable	518,351	459,181	342,813
11	Inter-Company Receivable	783	-	-
12	Notes Receivable	-	-	-
13	Materials	-	-	-
14	Prepayments	1,508	-	243
15	Other Current Assets	-	1,555,234	1,380,083
16	Total Current Assets	<u>\$ 542,491</u>	<u>\$ 2,046,882</u>	<u>\$ 1,756,899</u>
17				
18	OTHER ASSETS			
19	Deferred Finance Costs	\$ -	\$ -	\$ -
20	Other Deferred Debits	130,278	-	-
21	Other Non-Current Assets	-	-	-
22	Deferred Debits	<u>\$ 130,278</u>	<u>\$ -</u>	<u>\$ -</u>
23				
24	TOTAL ASSETS	<u>\$ 23,785,203</u>	<u>\$ 22,880,984</u>	<u>\$ 21,900,306</u>
25				
26				
27	<u>LIABILITIES AND STOCKHOLDER EQUITY</u>			
28				
29	Stockholder's Equity	<u>\$ 8,021,620</u>	<u>\$ 10,125,334</u>	<u>\$ 8,470,297</u>
30				
31	Long-Term Debt	<u>\$ 3,437,837</u>	<u>\$ -</u>	<u>\$ -</u>
32				
33	CURRENT LIABILITIES			
34	Accounts Payable	\$ -	\$ -	\$ -
35	Current Portion of Long-Term Debt	-	-	-
36	Payables to Associated Companies	617,703	563,944	901,342
37	Customer Security Deposits	-	136,433	139,915
38	Customer Meter Deposits, Current	30,732	-	-
39	Current Portion of AIAC	5,000	-	-
40	Accrued Taxes	29,552	8,830	7,359
41	Accrued Interest	12,535	13,285	15,413
42	Other Current Liabilities	1,146,754	1,096,092	1,136,649
43	Total Current Liabilities	<u>\$ 1,842,276</u>	<u>\$ 1,818,584</u>	<u>\$ 2,200,678</u>
44				
45	DEFERRED CREDITS			
46	Customer Meter Deposits, less current	\$ 301,302	\$ -	\$ -
47	Advances in Aid of Construction	955,148	294,958	322,423
48	Accumulated Deferred Income Taxes	-	-	-
49	Contributions In Aid of Construction	20,267,791	21,052,221	20,733,710
50	Accumulated Amortization	(11,040,770)	(10,410,113)	(9,826,802)
51	Other Deferred Credits	-	-	-
52	Total Deferred Credits	<u>\$ 10,483,471</u>	<u>\$ 10,937,066</u>	<u>\$ 11,229,331</u>
53				
54	Total Liabilities & Common Equity	<u>\$ 23,785,204</u>	<u>\$ 22,880,984</u>	<u>\$ 21,900,306</u>
55				
56				
57				
58	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>		
59	Work papers	A-3		
60				
61				
62				

Liberty Utilities (Rio Rico Water & Sewer) Corp. - Sewer Division
Test Year Ended December 31, 2014
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 12/31/2014	Year Ended 12/31/2013	Year Ended 12/31/2012
1	<u>ASSETS</u>			
2	<u>PLANT</u>			
3	Plant In Service	\$ 13,936,523	\$ 13,736,330	\$ 14,228,849
4	Non-Utility Plant	193,757	-	-
5	Construction Work in Progress	(295,882)	(298,562)	41,308
6	Property Held for Future Use	-	-	-
7	Accumulated Depreciation	(6,051,816)	(5,658,848)	(6,902,099)
8	Net Plant	<u>\$ 7,782,582</u>	<u>\$ 7,778,921</u>	<u>\$ 7,368,058</u>
9				
10	<u>CURRENT ASSETS</u>			
11	Cash and Equivalents	\$ 10,762	\$ 15,991	\$ 9,790
12	Restricted Cash	-	-	-
13	Net Accounts Receivable	255,307	226,164	99,416
14	Inter-Company Receivable	386	-	-
15	Notes Receivable	-	-	-
16	Materials and Supplies	-	-	-
17	Prepayments	743	-	70
18	Other Current Assets	-	591,251	400,224
19	Total Current Assets	<u>\$ 267,197</u>	<u>\$ 833,406</u>	<u>\$ 509,501</u>
20				
21	<u>OTHER ASSETS</u>			
22	Deferred Finance Costs	\$ -	\$ -	\$ -
23	Other Deferred Debits	64,167	-	-
24	Other Non-Current Assets	-	-	-
25	Deferred Debits	<u>\$ 64,167</u>	<u>\$ -</u>	<u>\$ -</u>
26				
27	TOTAL ASSETS	<u><u>\$ 8,113,945</u></u>	<u><u>\$ 8,612,326</u></u>	<u><u>\$ 7,877,559</u></u>
28				
29				
30	<u>LIABILITIES AND STOCKHOLDER EQUITY</u>			
31				
32	Stockholder's Equity	<u>\$ 3,138,067</u>	<u>\$ 4,887,715</u>	<u>\$ 3,536,704</u>
33				
34	Long-Term Debt	<u>\$ 1,344,886</u>	<u>\$ -</u>	<u>\$ -</u>
35				
36	<u>CURRENT LIABILITIES</u>			
37	Accounts Payable	\$ -	\$ -	\$ -
38	Current Portion of Long-Term Debt	-	-	-
39	Payables to Associated Companies	304,242	277,763	368,154
40	Customer Security Deposits	-	30,135	57,149
41	Customer Meter Deposits, Current	-	-	-
42	Current Portion of AIAC	2,500	-	-
43	Accrued Taxes	14,555	4,349	3,006
44	Accrued Interest	6,174	6,543	6,295
45	Other Current Liabilities	564,819	539,866	1,217,801
46	Total Current Liabilities	<u>\$ 892,290</u>	<u>\$ 858,657</u>	<u>\$ 1,652,405</u>
47				
48	<u>DEFERRED CREDITS</u>			
49	Customer Meter Deposits, less current	\$ -	\$ -	\$ -
50	Advances in Aid of Construction	508,985	482,534	145,480
51	Accumulated Deferred Income Taxes	-	-	-
52	Contributions In Aid of Construction	5,157,673	5,157,673	5,381,456
53	Accumulated Amortization	(2,927,957)	(2,774,253)	(2,838,487)
54	Other Deferred Credits	-	-	-
55	Total Deferred Credits	<u>\$ 2,738,701</u>	<u>\$ 2,865,954</u>	<u>\$ 2,688,449</u>
56				
57	Total Liabilities & Common Equity	<u><u>\$ 8,113,945</u></u>	<u><u>\$ 8,612,326</u></u>	<u><u>\$ 7,877,559</u></u>

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

A-3

EXHIBIT 5

Liberty Utilities Corp. (Rio Rico Water Division) Pro Forma Ratios
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Debt Service Coverage Ratio		
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2014 Net Income	\$	252,585
Interest Expense	\$	92,250
Depreciation and Amortization	\$	562,211
Net Operating Income	\$	907,046
Estimated Monthly Interest Payment	\$	7,688
Estimated Annual Interest Payments	\$	92,250
Debt Service Coverage Ratio		9.83

Times Interest Earned Ratio		
------------------------------------	--	--

2014 Net Income	\$	252,585
Interest Expense	\$	92,250
Income Taxes	\$	147,142
Earnings Before Interest and Taxes	\$	491,977
Estimated Monthly Interest Payment	\$	7,687.50
Estimated Annual Interest Payments	\$	92,250
Times Interest Earned Ratio		5.33

Liberty Utilities Corp. (Rio Rico Sewer Division) Pro Forma Ratios
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Debt Service Coverage Ratio		
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2014 Net Income	\$	265,226
Interest Expense	\$	55,750
Depreciation and Amortization	\$	326,172
Net Operating Income	\$	647,148

Estimated Monthly Interest Payment	\$	4,646
Estimated Annual Interest Payments	\$	55,750

Debt Service Coverage Ratio	11.61
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Times Interest Earned Ratio		
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2014 Net Income	\$	265,226
Interest Expense	\$	55,750
Income Taxes	\$	157,337
Earnings Before Interest and Taxes	\$	478,313

Estimated Monthly Interest Payment	\$	4,646
Estimated Annual Interest Payments	\$	55,750

Times Interest Earned Ratio	8.58
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EXHIBIT 6

LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP.

**STATEMENT OF UNANIMOUS WRITTEN CONSENT TO ACTION TAKEN IN LIEU
OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS**

October 13, 2015

In lieu of a special meeting of the Board of Directors of Liberty Utilities (Rio Rico Water & Sewer) Corp., an Arizona corporation (the "Corporation"), the undersigned, being all of the duly elected directors of the Corporation (the "Board"), acting in accordance with the authority contained in Arizona Revised Statutes §10-821, hereby adopt the following resolutions as actions of the Board, with the same force and effect as if such resolutions had been duly adopted at a meeting of the Board.

DEBT FINANCING

RESOLVED THAT the Corporation is authorized to apply to the Arizona Corporation Commission seeking approval of the debt financing contemplated in the Corporation's Financing Application ("Application") to be filed with the Arizona Corporation Commission, in an amount necessary to rebalance and maintain the Corporation's capital structure at 30 percent debt to 70 percent equity;

RESOLVED THAT the Corporation may obtain debt financing from Liberty Utilities Co. in an amount not to exceed \$8,900,000, at an interest rate equal to the average of the 10-year U.S. Treasury rate as published on Bloomberg Financial Markets for the prior 30 days plus a percent spread to be equal to the spread on Liberty Utilities Co.'s most recent private placement financing (at the time of this resolution, the estimated interest rate is approximately 3.32% and the estimated credit spread is approximately 116 basis points);

RESOLVED THAT the maturity date for the debt financing from Liberty Utilities Co. shall be ten (10) years after closing date;

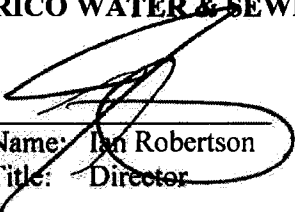
RESOLVED THAT that Liberty Utilities Co. will not earn a profit on such debt financing to the Corporation as sought in the Financing Application;

RESOLVED THAT the Corporation is authorized to execute, prepare and submit all proper filings and disclosures, and seek and obtain any and all necessary approvals in connection with the processing of the Financing Application; and

FURTHER RESOLVED THAT any two officers of the Corporation be, and each of them hereby is, authorized to sign such documents on behalf of the Corporation and to otherwise carry out the purposes and intent of the foregoing resolutions.

IN WITNESS WHEREOF, the undersigned, being all of the Directors of the Corporation, have executed this Statement of Unanimous Written Consent as of the date first written above.

LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP.

By: 
Name: Ian Robertson
Title: Director

By: _____
Name: Gregory Sorensen
Title: Director

By: _____
Name: Richard Leehr
Title: Director

IN WITNESS WHEREOF, the undersigned, being all of the Directors of the Corporation, have executed this Statement of Unanimous Written Consent as of the date first written above.

LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP.

By: _____

Name: Ian Robertson

Title: Director

By: _____

Name: Gregory Sorensen

Title: Director

By: _____

Name: Richard Leehr

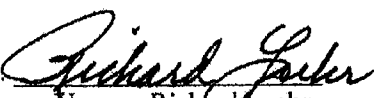
Title: Director

IN WITNESS WHEREOF, the undersigned, being all of the Directors of the Corporation, have executed this Statement of Unanimous Written Consent as of the date first written above.

LIBERTY UTILITIES (RIO RICO WATER & SEWER) CORP.

By: _____
Name: Ian Robertson
Title: Director

By: _____
Name: Gregory Sorensen
Title: Director

By:  _____
Name: Richard Leehr
Title: Director